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## A NEW YORK EXPERIMENT IN BUSINESS CO-OPERATION

The present sketch deals primarily with phases of the fundamental spatial problem in great cities. That problem is one of constant and growing difficulty. Certain steps in the solution of the problem of city space occur to every one. The tenement met the need of housing many people on a small area of land. Rapid transit made still more tenement area accessible without excessive cost of money or time. The additional fire risk was met by high pressure mains, automatic sprinklers, and fire-proof building construction. The difficulties of intercommunication were solved by the telephone. Traffic policemen handle what would otherwise be inextricable confusion in the business streets. Instances might be multiplied.

By "organized city" we mean much more than the city government and the frame it supplies for the play of forces of economic life, under the direction of private initiative. We mean also the organization of those forces themselves. It is their play which creates the problems of the city. A few of them are solved by the city government, and widely heralded. Most of the problems of city organization are solved, as they are created, by business men, silently. To study these solutions and the principles underlying them, is the central task of the new science of business.

One of those who have contributed to the silent solution of New York's tangle is Irving T. Bush, best known as founder of the Bush Terminal in South Brooklyn. He set out to solve the traffic difficulties of Manhattan merchants and manufacturers by applying the principles of coöperation. He has extended those principles deep into the selling field, where wasteful competition seemed most firmly entrenched.

Although New York has grown, its warehousing and light manufacturing center has remained on Manhattan Island south of Fourteenth Street. That section is therefore the source and destination of the bulk of the city's railroad traffic, especially the through "merchandise" cars of high class L. C. L. freight, run daily to and from all principal points of the country. Shippers and receivers of freight in less than carloads, have felt obliged to remain, and new shippers and receivers to settle, in this shipping district for purely traffic considerations, apart from the other economic advantages inherent in industrial concentration. For good

reasons the industrial and commercial congestion of business in lower Manhattan has increased much more rapidly than the provision of the railroad facilities to care for the business; so rents are high, insurance is high, quarters are cramped, and cartage bills to and from the railroad stations are enormous.

Lower Manhattan has direct rail connection with only one of the railroads that serve it. The New York Central has a line that runs through the city's streets south of Sixtieth Street, terminating at St. John's Park. The capacity of this service is low. Most of the freight of lower Manhattan is delivered by carfloats that use piers on the waterfront as railroad stations. Railroad cars on floats are tied up to those piers, unloaded upon them and later loaded from the adjacent shore shed, which serves as outbound freight station. The number of piers put to this use cannot be increased, for steamship lines also are dependent on use of the piers.

With stationary railroad facilities, the city has continued to grow; and still faster has grown the congestion of shippers' trucks at each station—waiting to call for inbound freight in the morning and waiting to deliver outbound freight in the afternoon, the side streets approaching the waterfront full of delayed trucks. Because of this waiting time, a driver could not call at more than one freight station in the morning nor deliver to more than one in the afternoon. A separate truck, no matter how small the shipment to be handled, had to be sent to each station. This made the cost of cartage very high. It still is high, for all those who remain in Manhattan. In eliminating that cost, the plan found its opportunity.

Warehouses and light manufacturers had not moved to outlying sections like Brooklyn or the Bronx for two reasons. First, they wanted to remain accessible to the high class railroad services of lower Manhattan, with its multitude of direct cars. At the outlying freight stations most of the freight is put not into cars loaded for destination but into cars for transfer points, with consequent delay en route. Moreover, a man in the outlying district had cartage charges just as in Manhattan, not so high, to be sure, but still appreciable.

People were asked to come to South Brooklyn to the Bush Terminal, where they would have no cartage charges at all. Here a manufacturer can rent a part or whole of a floor, or several floors, in any of the sixteen industrial buildings. They

contain altogether 6,000,000 square feet of floor, and enclose 75,000,000 cubic feet of space. Each building is built around three sides of a quadrangle, into which run railroad tracks from a terminal yard (30 miles of trackage in all). Cars can thus be placed alongside the loading platform adjacent to the first floor of each building. The Bush Terminal is terminal agent of all railroads entering New York. Except in a few instances the flat New York rate, the same which applies to all stations in Manhattan, applies to the freight received or delivered there. The shipper of package freight (L. C. L.) delivers his goods to the freight elevator that stops at his floor, and gets from the Terminal a bill of lading to destination. Cartage is gone. The shipper is located directly in a joint freight station of all railroads. His need for a shipping department is reduced to a minimum.

The Bush Terminal receives the small shipment along with others from other manufacturing or warehousing tenants, from steamships docking at its piers, from Brooklynites who use the public freight station it maintains—and consolidates all their traffic into cars either on the individual shipping platform or at a transfer which it maintains for the purpose. To be sure it does not have enough small freight to load as many direct cars as move from the lower Manhattan waterfront, but it loads a direct car to each important center in the country. Other shipments it loads to the transfer stations which each carrier maintains just back from the waterfront. As tenants grow in number, so does the volume of outward traffic and ability to load through cars and give superior railroad service. It now has about 4,000 tenants. They, their employees and those of the Terminal, the longshoremen, etc., number about 30,000. With their families they represent an industrial community of over 100,000 people.

Little business men have grouped themselves into a shipping unit to eliminate cartage and switching charges just as they are eliminated by the manufacturer who can afford a location on a railroad siding and who has enough outward traffic of his own to load full cars. The Terminal pools its little shipments at the source, before a cartage charge has fallen on them, instead of waiting for the carrier to pool these shipments at the railroad station. As a matter of fact, the volume of L. C. L. which the Bush Terminal can consolidate gives each of its shippers a diversity of railroad service which not even the largest single shipper, located on a siding, can enjoy. Sometimes the little men

grow up so big that they build their own great plants supplied with all the facilities which the Terminal offers them coöperatively. In such cases it has served as an incubator of industry.

But coöperation does not stop with provision of railroad service. Because the Bush Terminal has hundreds of tenants it can supply them with other facilities they could not have as small independent units scattered in decrepit Manhattan loft buildings, but which the big fellow does have in his modern plant. Tenants jointly share in an automatic sprinkler system that costs \$1,000,000. It enables them to get rates of 10 cents per \$100 in the exclusive New England mutual insurance companies, or 20 cents per \$100 in the line companies. Jointly the tenants share in a complete watchman and fire department service. For them all, the Terminal maintains an emergency hospital and a restaurant. Jointly they support a trucking service for local New York distribution, for connection with water carriers, or for delivery to through cars running from the lower Manhattan waterfront to points to which the Terminal does not load direct but which the shipper must reach without the delay of a transfer station. The trucking service is better than an individual could maintain and its charges are lower than the individual costs. Many water carriers dock at the piers connected with the Bush Terminal. There are eight such piers, each 1400 feet long and each an ocean terminal in itself. Twenty-seven steamers can berth there at the same time. The concentration of shipping at the Terminal continues; through it passes one fifth to one fourth of the port's foreign trade today. No tenant has an excuse for a shipment missing these steamers. They dock at his door.

Likewise the Terminal contains one hundred and thirty warehouses, large and small. A good percentage of New York's raw material imports is stored there: Egyptian and Indian cotton, copra, hides, sugar, jute, sisal, coffee, palm oil, etc. They are at hand for tenant manufacturers using such materials. In the old days they used to say that, in New York, goods were landed in Manhattan, stored in Brooklyn, and shipped in New Jersey, and that the devil could not have invented a worse system. In South Brooklyn, steamship, warehouse, and railroad are brought together and waste motion between them is eliminated.

The industrial tenant often but not always gets lower rent in South Brooklyn than in Manhattan. There are many old buildings in Manhattan allowed to stand as "taxpayers" until their

land values have sufficiently enhanced. In such buildings the rents are often low. But the tenant is subject to cramped, ill-ventilated, ill-lighted quarters. Often his saving on insurance and cartage alone, when he moves to the Bush Terminal, is such that he gets his rent "free."

The significance of the Bush development is not exhausted in the advantages it offers to its tenants. Industrials attracted from Manhattan decrease by so much the hideous congestion of cartage on Manhattan streets. Real and permanent relief of that problem lies in the direction of a compulsory pooling of less than cart-load trucking through the city streets. It must begin with "store door" delivery—the use of railroad-owned trucks to collect and deliver package freight, as in England. That would promptly double the capacity of our crowded city freight stations. There is not much more sense in allowing a shipper with two boxes to inflict an individual truck upon a crowded railroad station than there would be in allowing him an individual car to carry the two boxes to destination. But that is another story.

It also means something for workers to be taken from crowded Manhattan to the commodious quarters in South Brooklyn, and points the way to a decentralization of light manufacturing, whose product consists mainly of human labor. The heart of the city is no place for men, women, and children to do industrial work. The land is much too valuable. Nobody can afford to give them enough room. The heart of the city is the place for mercantile and financial business. But such business fills up Manhattan space as fast as the Terminal empties it.

Nor should it be thought that the plan attracts manufacturers only from Manhattan. Plants from all over the country move or establish branches there. They come in order to be at the heart of the chief wholesale market in the country, New York, and near the 20,000,000 consumers within 200 miles of City Hall. They come to be at the center of the world's greatest web of transportation lines: rail, river, coastwise, and oversea carriers.

So much for the coöperative service rendered tenant manufacturers. There is many a manufacturer who, though he need not be located in New York, must maintain a small distributing depot there, for two reasons. First, he must carry stock near the dealers who supply the 20,000,000, for merchants do not carry large stocks themselves nowadays, but live from hand to mouth. Second, it is often possible to save money and time by shipping in

carlots to New York and there splitting the car for domestic delivery in New York or eastern markets, or for export by a dozen different lines. For people like this the Bush Terminal provides a novel terminal service in a new Service Building.

It is not that this service was not provided in New York before; it was provided in a different way. For example, an inland manufacturer would ship a consolidated carlot consigned to a New York broker. The broker would engage a teamster to cart the goods to a warehouse, which would store the goods and give some sort of service in repacking and remarking them. Upon order the separated shipments would be trucked to various railroads or oversea carriers, and in the case of oversea carriers the broker would take out the ocean bill of lading, attend to the insurance and financing of the shipment and make out the necessary consular papers. There were thus a number of agencies doing this kind of terminal work with division of responsibility and duplication of at least overhead expense, and inevitable costs and delay involved in the transfer of freight from carrier to warehouse and warehouse to carrier.

The new service becomes simultaneously railroad terminal agent, warehouseman, seaboard broker, teamster and forwarder, though much of the previous teaming is eliminated. The inland manufacturer ships a car to Bush and it is delivered, at the New York rate, to the Service Building, eight stories high, concrete, fire proof, with 36,000 square feet per floor. Railroad tracks reach the building at two different levels. The first floor is a great covered shipping platform where in all weathers twenty-seven trucks can be loaded simultaneously. One side of the building fronts on water, where lighters come alongside. Car, truck, lighter and warehouse are thus assembled at one place. The building is supplied with batteries of elevators and chutes. The floors are divided into classifications so that similar merchandise will be stored together, and each floor is in charge of an expert in the handling of that classification of merchandise.

The Service Building receives and stocks carlots from the interior shipper. Then upon order expert shipping forces repack, remark, and dispatch shipments, including the handling of all shipping papers, stock records, billing the merchandise, and handling export and import papers. A shipment for South America is packed to stand passage across the equator, heavy rehandling by lighters at the South American ports, and mule-back transporta-

tion into the interior. And all these services are performed for the owner of the goods at cost of a few cents per hundred pounds, because this seaboard business of dozens of inland manufacturers is pooled into a huge concentration business and can be done cheaply.

The sort of seaboard service thus given can be had by the individual only if he is a huge shipper and can afford a branch and a large organization at New York. The little man in the interior has had to depend upon the welter of private agencies already described, variably responsible and usually costly and uncoordinated.

Yet there is a third class of small inland manufacturers who need in New York the same sort of coöperative service that the Bush Terminal gives to the man who needs a New York factory or a New York forwarder. The third class comprises those small manufacturers who need to have a sales exhibit and a selling force in the greatest of buying markets. The big man in the interior can afford to maintain a branch house and a sales manager here, with a location so prominent as to command the attention of buyers. The little fellow usually cannot afford to maintain either an expensive store or a resident sales manager. If he is in New York at all, he is likely to be hidden away in some location where he is lost, or dependent on a New York agent who has a dozen lines to handle. Because of such conditions, hundreds of small manufacturers who would like to be represented in New York do not come at all.

For these people there has been erected, at a cost of \$3,000,000, on Forty-second Street, an International Sales Building thirty stories high, of Gothic architecture. Each floor is devoted to exhibits of a single line of merchandise: for example, one floor for toilet articles, one for jewelry, one for infant's wear, three for boots and shoes. Each floor contains the sales exhibit of scores of American manufacturers, displayed in show cases especially designed for that merchandise. Each floor is in charge of an expert manager. To visiting buyers of toilet articles the manager displays the lines there offered, takes and forwards their orders. On this floor the small unit of space for exhibit costs \$450 per year. If the exhibitor also uses the Service Building, already described, he can have his goods sold, shipped, billed, and the money collected and forwarded for him.

The exhibit building is on Times Square, between the Pennsylvania and Grand Central stations, in the heart of the hotel, rail-



road, and amusement section. The three lower floors constitute a Buyers Club, in which any buyer of proper credentials can be a member without cost. Here, except for sleeping quarters, he has a complete and luxurious club. lounge, reading rooms, conference rooms, a grill, stenographic assistance, and library with trained librarians to hand him all accumulated and current information in his line. A Brazilian buyer registers, is given a Portuguese interpreter and shown over a building with a very representative line of American manufactures. He can buy, and sail home. The domestic purchaser of a hundred kinds of merchandise can see more lines in this building than anywhere else, in a fraction of the time. The department store buyer dares not go home unable to report that he has been at the International Sales Building. There are today 13,000 members of the Buyers Club. There will soon be 2,000 exhibitors in the building. A new duplicate building will soon go up. A whole block along the Strand has been acquired for the erection of a similar building in London.

The small manufacturers, combining in the International Sales Building, provide themselves, at slight cost, with a sales location and a chance to exhibit and sell their goods such as not even their biggest rival can equal. And the big fellow, even if he has a New York branch, is seeking representation at the Sales Building; for if he is absent, the danger is that the buyers will miss seeing his goods, not the goods of the little fellows. Although the small man in industry is in peril of being eliminated by the big fellow who can do things on such a large scale that each of his unit costs is small and he can undersell, yet the little fellows together can reduce a large number of their unit costs to the level of the big rival, stay in business, and perhaps do the eliminating instead of being eliminated.

Note that competition is by no means eliminated among the co-operators who use the Sales Building. In the fierce light of public comparison to which they subject their merchandise, there is the sternest competition of merit. What is eliminated is that spurious, extravagant competition of search for preferred location, the competition of blatant display, the competition wherein the mere power of wealth smothers its rivals of modest worth. The Bush coöperators, besides their exhibit space, are allowed to rent additional space for a representative to use in selling their goods. Some avail themselves of this opportunity; more of them renounce even the competition of salesmanship and let the goods speak for them-

selves. Of course that requires confidence in the merit of what is sold.

But this attempt to extend to the little man the advantages of coöperation is going to spread to still another field, the field of retail merchandising. The retailer's existence is threatened by two big competitors, the mail order house and the chain store. The mail order house is an accustomed, far away competition. Even in country districts the mail order house skims only part of the cream of the retailer's business; and it is a competition which the cities hardly know at all. The chain stores are new competition. They are close at hand to the retailer, next door. They are stronger in the cities, especially the larger cities. Finally, the chain stores are seeking all of the retailer's business, not part of it. They are armed with most of the advantages of the large department store, with the ubiquity of a whole group of retailers. They are like department stores mobilized and out for conquest.

The advantages which chain stores possess are familiar to students of large scale organizations. An organization directing a hundred stores can pay higher salaries for executive management, can buy in larger quantities, can save in freight charges through the volume of its shipments. The retail store proprietor has the advantage, which the chain store machine cannot secure, of direct contact with the customers, a first-hand knowledge of local conditions, a personal interest in the success of his store. Given equality of merchandise, of prices and personal service, the average American would prefer to patronize a local store owned and operated by a citizen of his own community, rather than the branch of an absentee chain store organization. The average retail proprietor, however, cannot compete on this basis. He purchases in smaller quantities and as he buys dearer than the chain store, so he must sell dearer. His nose is so close to the grindstone in supervising his store that he cannot possibly have the national view of merchandising, nor be in touch with countrywide sources of supply. The business of even a larger retailer is not large enough to enable him to afford buyers to handle competently more than a few of the lines he sells. It is different with an organization buying for a hundred or more establishments. So with the art of display. Chain stores employ window dressers of the highest ability and the widest experience to train their store managers. Other experts study the display of stock inside the store and the make up of advertising. In these matters the retail proprietor must

trust his own wits and his limited experience. If he makes a mistake, it is costly. It is difficult to learn the details of constantly changing business methods and innovations that are proving successful in other communities besides his own.

The new plan proposes to organize the buying power of the retail stores of the country. There are 40,000 of them unrepresented in New York, making most of their purchases from local jobbers in nearby cities and paying several profits between manufacturer and retailer. If several thousand small stores can be organized coöperatively they will represent a buying power far exceeding the largest chain store organization. At the same time they will preserve the advantages of individually owned stores in their appeal for local friendship and support. It is proposed to put at the service of retail clients an executive and buying organization second to none in the country, one which will buy selected merchandise at the lowest possible prices. Each subscriber will be furnished with a framed certificate guaranteeing to the retail buyer that merchandise is purchased through the Bush organization, with elimination of all unnecessary middleman profits. The organization will have a force of window dressers and experts in all details of retail merchandising and advertising. This service will be at the disposal of all joining the organization, built to help the individual stores and in no way compete with them. To the aid of the enterprise can be put all the efficiency of its South Brooklyn terminal system, where shipments can be received, sorted, consolidated, and sent out at a lower expense than falls on chain store members for corresponding services. When necessary, credit facilities will be made available at a minimum of expense. The idea is to weld the constituent stores into a live coöperative society in immediate contact with the great buying market in New York. Of course the venture can be conducted only on the basis of the highest business morality, to which the Bush reputation must be pledged.

Perhaps there is here a way of salvation for the small individual enterprise. Perhaps the principle of coöperation can be made to prevail over the principle of organization. Not coöperation in the strict sense of the term, namely, creation by individuals of a co-operative society to serve them. The small individuals may be eliminated by their mighty rivals before they can be brought to evolve such coöperation. Or, when evolved, it will very likely be too clumsy and inefficient to be of real service. That is the history

of most forms of coöperation. What is everybody's business is nobody's business. It is the coöperative agency as a *business* that we have been observing. Coöperation is meeting organization successfully; but it is meeting it successfully by adopting the form and principle of organization so far as concerns that great field of "overhead" expense, in the reduction of which lie the chief advantages of large scale business.

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